



HIGHLIGHTS

Goal: For pharmacy benefits manager National Medical Health Card Systems (NMHC) to keep up with storage growth of up to 10 terabytes a year while holding down costs, increasing archive capabilities, and responding more quickly to changing business needs.

Solution: Pay-per-use HP Storage Utility

Results: A cumulative, projected five-year net benefit of \$8,000,768, driven by the avoidance of having to purchase additional storage, and a reduction in IT maintenance and troubleshooting requirements. An ROI of 220% and a payback period of three months. NMHC has improved cost management and capacity planning and has reduced downtime and enhanced archiving. The solution allows NMHC to respond more quickly to changing market conditions and to speed the time to market for new products and services.

CUSTOMER PROFILE

National Medical Health Card Systems

www.nmhc.com
Founded in 1981, National Medical Health Card Systems is a national independent pharmacy benefit manager, providing services to nearly 9 million people.

Headquarters: Port Washington, New York

Industry: Healthcare

Employees: 500

Revenue: \$800,592,000 (fiscal 2005)

National Medical Health Card Systems Handles Dramatic Storage Growth and Gains Over \$8 Million in Benefits with Pay-Per-Use HP Storage Utility

The pharmacy benefits manager company National Medical Health Card Systems (NMHC) has been growing approximately 35% to 40% a year, primarily through acquisitions. Business growth has been accompanied by the need to grow storage by up to 10 terabytes a year. The company has plans to continue growing at this pace, but its storage system had reached its capacity. NMHC needed a solution that would offer the ability to handle very large amounts of storage and be able to scale quickly. But NMHC wanted to hold down costs by paying only for the storage it required, rather than have to pay upfront for a sizable system it might not need today. To solve the problem, it turned to a pay-per-use plan for HP Storage Utility. The solution has resulted in a cumulative, projected five-year net benefit of \$8,000,768, driven by the avoidance of having to purchase additional storage, and a reduction in IT maintenance and troubleshooting requirements. The project will yield an ROI of 220% and has a payback period of three months. NMHC is assured of a system that can handle all of its storage needs well into the future, and that has reduced downtime and enhanced archiving. NMHC can more quickly respond to changing market conditions and speed the time to market for new products and services.

Benefits

Table with 2 columns: OBJECTIVE and BENEFITS ACHIEVED. Rows include: Increase storage capacity without incurring significant costs; Meet growing storage demands without increasing IT-related maintenance and support costs; Better handle cost management and capacity planning; Reduce storage costs; Improve archiving; Speed time to market.

About National Medical Health Card Systems (NMHC)

Founded in 1981, pharmacy benefits manager National Medical Health Card Systems Inc. (NMHC) provides service to nearly 9 million people. Its clients include managed care organizations, Taft-Hartley and multi-employer union groups, third-party administrators, self-insured employer groups, workers' compensation plans, school districts and municipalities. The company, headquartered in Port Washington, NY, was ranked number 6 on *Fortune* magazine's 2004 list of "America's 100 Fastest Growing Companies."

NMHC offers expertise in pharmacy benefits management, health information management, home delivery pharmacy and specialty pharmacy, along with a deep understanding of client and member needs. Plan sponsors are increasingly embracing the company's Total Healthcare Solutions approach, which predicts member health outcomes based on claims history and helps intervene with improved care and cost-controlling strategies.

The Challenge: Meet Dramatically Growing Storage and Archival Needs While Holding Down Costs

NMHC is growing at approximately 35% to 40% a year, primarily through acquisitions, and plans to continue on its steep growth path. Its business growth has been accompanied by sizable storage growth, and NMHC requires from 5 to 10 terabytes more each year in storage. Unlike businesses that grow through a more organic process of internal growth, NMHC faces sizable spikes in new storage requirements when it buys a new company. In addition, NMHC's core business is growing quickly, adding to the company's ever-increasing storage needs.

NMHC's existing storage system had reached its capacity and could not keep up with the company's growing needs for storage capacity. In addition, sudden spikes in storage requirements made it difficult for NMHC to adequately handle capacity planning, and planning for growth.

Driving the Need for a New Solution

NMHC was looking for a solution that would do the following:

- **Increase storage capacity without incurring significant costs.** NMHC was looking for a storage solution that would allow it to keep up with constantly increasing storage needs, but that would not require it to spend significant amounts in capital expenses.
- **Handle increased storage without increased IT costs.** NMHC storage requirements were skyrocketing, but it wanted a solution that would allow it to handle drastically greater amounts of storage without having to significantly increase its IT costs. It wanted a solution that would be easily manageable, and hold down expenses.
- **Improve archiving.** Because it is in the healthcare field, NMHC must archive tremendous amounts of data, including email messages as well as entire databases. The amount of archival data was growing each year. NMHC was looking for a cost-effective way to archive its data.

“Because of how fast our storage needs were growing, we were rushing out and buying more storage, and trying to do it while staying within our budget. We constantly had to take money away from one area of our budget and apply it to storage just to survive. Living that way was just too painful.”

Mark Deck
Vice President of Technology
NMHC

- NMHC chose HP Storage Utility, which delivers always-on availability and enables large scale consolidation. The storage is ideal for large database, Oracle, SAP, Exchange, and online transaction processing (OLTP) environments. NMHC chose a pay-per-use model with the HP Storage Utility, which allows the company to pay only for storage that it uses.

- **Speed time to market.** In order to launch new products and services, NMHC must build storage backends for databases. NMHC was looking for a way to quickly configure storage so that it could more quickly launch these new products and services.
- **Better handle cost management and capacity planning.** Because of sudden spikes in storage demands, NMHC was having a difficult time performing capacity planning and cost management. It was looking for a way that would allow it to easily add storage, while being able to budget for a fixed price of storage per gigabyte.
- **Install new storage without downtime.** NMHC was constantly having to add storage, and it wanted to make sure that a new solution would allow it to add new storage without any downtime.

NMHC Chooses Pay-Per-Use HP Storage Utility

NMHC had a long-standing relationship with Hewlett-Packard, which has supplied it with storage, servers, and other important infrastructure technology. NMHC had been impressed with the HP hardware, software, and support it had received over the years, and by HP's close attention to customer needs.

To help decide on and deploy a storage solution, NMHC consulted with Computer Design & Integration (CDI), a leader in the design, integration, and support of mid-market to global infrastructure environments.

NMHC, guided by CDI, chose HP Storage Utility which delivers always-on availability and enables large scale consolidation. The storage is ideal for large database, Oracle, SAP, Exchange, and online transaction processing (OLTP) environments. NMHC chose a pay-per-use model with the HP Storage Utility, which allows the company to pay only for storage that it uses.

The pay-per-use model is designed to scale along with a company's IT environment, and takes the guesswork out of forecasting anticipated storage needs, aligns costs with storage usage, and eliminates large upfront storage investments. This can improve service levels by providing reserve storage capacity that is accessed when needed, ensuring less frequent procurement, and simplifying capacity planning.

The Bottom Line for NMHC

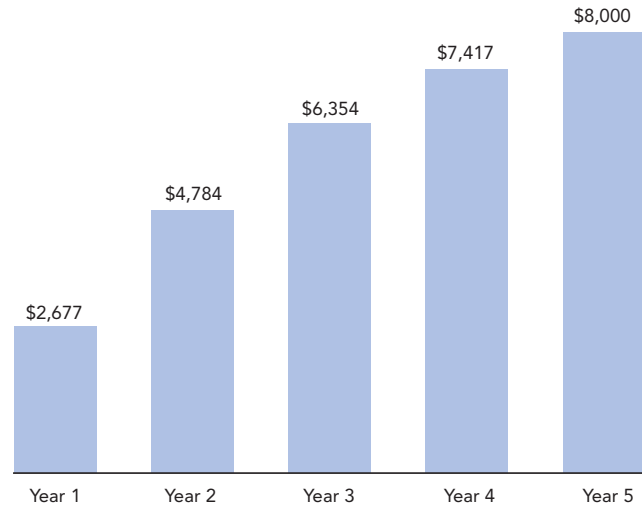
A detailed analysis of the implementation shows that NMHC will gain a cumulative, projected five-year net benefit of \$8,000,768 from the solution, driven by the avoidance of purchasing additional storage, and a reduction in IT maintenance and troubleshooting requirements. The solution will have an ROI of 220% and has a payback period of three months.

The greatest savings will come from the avoidance of having to purchase additional storage, and avoiding capital expenses. Because NMHC has signed a pay-per-use plan, it did not incur sizable startup costs. Additionally, NMHC is able to reap significant savings from cost management because payments align with planned demand and revenue. With capacity planning, it can handle spikes and growth

without overbuying or adding expensive storage resources. As a result, it will gain a projected, five-year cumulative benefit of \$13,737,521.

NMHC will also reap significant savings in IT management and support. The HP Storage Utility makes it significantly easier to add and manage storage than the previous solution, leading to a reduction in the time to configure, maintain, and troubleshoot storage. This will result in a projected, five-year cumulative benefit of \$927,030.

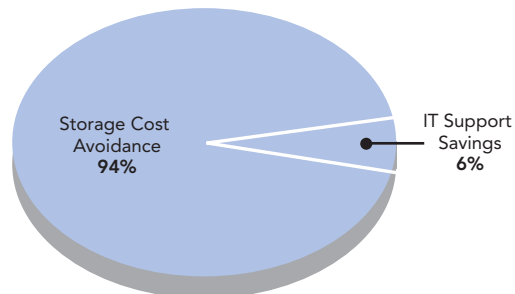
■ NMHC’s bottom line for the project: A cumulative, projected five-year net benefit of \$8,000,768, driven by the avoidance of having to purchase additional storage, and a reduction in IT maintenance and troubleshooting requirements. An ROI of 220% and a payback period of three months.



Cumulative 4 Year Net Benefit (\$000)

NMHC will see other benefits as well. With the HP Storage Utility, NMHC can archive many years of data, including non-critical as well as critical information. NMHC can set up a two-tiered archiving system in which non-critical archival data is stored in lower-cost storage, and critical archival data is stored in enterprise-class storage.

The solution makes it easier for NMHC to integrate new company acquisitions into its IT infrastructure. No complex storage setup needs to be implemented; the HP Storage Utility allows storage to be quickly added on an as-needed basis. The solution also makes it easier for NMNC to launch new products and services. In addition, NMHC can add storage without downtime, because HP Storage Utility allows for storage to be added without bringing down any systems.



Cumulative 5 Year Net Benefit = \$8,000,768

Finally, the solution has given the IT department a way to help make sure that the business units only use storage that they actually need. The IT department can now attach an exact dollar amount to each gigabyte of storage used, and can track how much storage each business unit consumes. It has been able to create reports that show business units how much storage they are using, and how much money that storage costs the company. This helps the business units use storage more effectively, and brings down total storage costs.

5 YEAR ANALYSIS						
Project Summary						
ROI	220%					
Payback Period (in months)	3					
Cumulative Net Value	\$8,000,768					
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Project Costs	Year 1	Year 2	Year 3	Year 4	Year 5	Total
HP Annual PPU	\$862,372	\$1,097,564	\$1,332,756	\$1,567,949	\$1,803,141	\$1,803,141
TOTAL PROJECT COSTS	\$862,372	\$1,097,564	\$1,332,756	\$1,567,949	\$1,803,141	\$1,803,141
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Benefits	Year 1	Year 2	Year 3	Year 4	Year 5	Total
IT Support Savings	\$185,406	\$185,406	\$185,406	\$185,406	\$185,406	\$927,030
Storage Cost Avoidance	\$3,354,624	\$3,019,162	\$2,717,245	\$2,445,521	\$2,200,969	\$13,737,521
TOTAL BENEFITS	\$3,540,030	\$3,204,568	\$2,902,651	\$2,630,927	\$2,386,375	\$14,664,551
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Financial Analysis	Year 1	Year 2	Year 3	Year 4	Year 5	
Net Benefit	\$2,677,658	\$2,107,003	\$1,569,895	\$1,062,978	\$583,234	
Cumulative Net Benefit	\$2,677,658	\$4,784,662	\$6,354,557	\$7,417,535	\$8,000,768	
Net Present Value	\$6,997,237					
Payback Period (in months)	3					
ROI	220%					

ROI (return on investment) percentage return expected over a specified period of time. ROI is the total benefit minus the total costs in years 1-5 divided by the startup costs. The ROI metric is good for assessing the net value benefit of the project relative to the initial investment.

Net Present Value (NPV) represents the cumulative present value of the expected return of a project over a specified period of time minus the initial costs of the project. This dollar figure provides visibility on the actual value of a project, taking into consideration the time value of money — the ongoing benefit of a project in today's dollars. NPV tells you the magnitude of the project and if the project generates a profit.

Payback Period (or breakeven) is timeframe it takes for the project to yield a positive cumulative cash flow. Payback period is a key measurement of risk but does not take into account cash flows after the payback period.

ROI, NPV and **Payback** should be used in conjunction to understand the rate, size and timing of the return.

Net Value is the benefit delivered to the organization for the investment made in the project. Net Value is calculated by taking the total benefit minus the project costs.

Internal Rate of Return (IRR) is the implied rate of return of an investment assuming complete reinvestment of cash flows. It is the percentage rate by which you have to discount the benefits until the point that they equal all the costs. IRR is calculated as the discount rate necessary to drive the NPV to zero.



“I need partners I can trust, and that’s exactly what HP has been for me. They meet their commitments, and their products do exactly what they say they’ll do. I feel that HP is a member of our team, not just a vendor.”

Mark Deck
Vice President of Technology
NMHC

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NMHC Looks to the Future

The HP Storage Utility gives NMHC as much capacity as it needs today and well into the future — and because NHMC pays only for the storage it uses, it can better budget for acquisitions and launching new products and services. In addition, NMHC has become committed to the pay-per-use model, and uses the same payment model for an HP 9000 Superdome Server.

About Hewlett-Packard Company, StorageWorks Division

HP is a technology solutions provider to consumers, businesses and institutions globally. The company’s offerings span IT infrastructure, global services, business and home computing, and imaging and printing. HP StorageWorks solutions help enterprises optimize current resources, manage multivendor environments and evolve to open architectures. For more information on how working with HP can benefit you, contact your local HP representative, or visit HP at www.hp.com.

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